



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

June 14, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **SOUTHEAST AREA SOCIAL SERVICES FUNDING AUTHORITY -
PARAMOUNT CONTRACT - WORKFORCE INVESTMENT ACT
PROGRAMS**

We have conducted a program, fiscal and administrative contract review of Southeast Area Social Services Funding Authority – Paramount (SASSFA - Paramount or Agency), a Workforce Investment Act (WIA) provider.

Background

The Department of Community and Senior Services (DCSS) contracts with SASSFA – Paramount, a private non-profit organization, to provide and operate the WIA Adult, Dislocated Worker and Youth Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. SASSFA – Paramount is located in the Fourth District.

SASSFA - Paramount is compensated on a cost reimbursement basis. SASSFA – Paramount's contract was for \$621,245 for Fiscal Year 2005-06.

Purpose/Methodology

The purpose of the review was to determine whether SASSFA-Paramount complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

SASSFA – Paramount did not always comply with the WIA guidelines and the provisions of the County contract. Specifically, SASSFA – Paramount:

- Billed DCSS for payroll expenditures based on estimated amounts and not actual expenditures as required by the County contract.
- Did not complete the Individual Employment Plan for 18 (90%) of the 20 adult and dislocated worker participants.
- Did not follow up with three (38%) of the eight exited adult and dislocated worker participants.
- Did not accurately report the program activities on the Job Training Automation system for 15 (75%) of the 20 adult and dislocated worker participants.
- Did not discuss on a monthly basis the Individual Service Strategy plans with nine (90%) of the ten youth participants on a monthly basis.

In addition, SASSFA – Paramount's inventory list did not list one plasma television purchased with program funds, valued at approximately \$2,000, or correctly identify the location of one (9%) of the 11 equipment items sampled.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with SASSFA - Paramount on May 3, 2007. In their attached response, SASSFA – Paramount disagreed with a number of recommendations in the report, indicating that the majority of the findings in the report were never brought to their attention and that the delay in receiving the draft report almost a year after the on-site visit made the task of responding somewhat difficult. We acknowledge that the issuance of the report was delayed. This was due to completing work on other priority assignments. However, we reviewed each finding addressed in this report with SASSFA – Paramount's management on June 16, 2006 and May 3, 2007, at which time

the Agency's management concurred with our findings. The Agency's response also indicates that they provided us with documentation to support that their building was inspected. We requested but did not receive any documentation to support the inspection.

We notified DCSS of the results of our review. We will follow up our recommendations during next year's monitoring review. We thank SASSFA - Paramount for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Kirk Kain, Executive Director, Southeast Area Social Services Funding Authority
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
SOUTHEAST AREA SOCIAL SERVICES FUNDING AUTHORITY - PARAMOUNT
FISCAL YEAR 2005-06**

ELIGIBILITY

Objective

Determine whether Southeast Area Social Services Funding Authority - Paramount (SASSFA - Paramount or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA) program.

Verification

We selected a sample of 30 (18%) participants (10 from the Adult Program, 10 from the Dislocated Worker Program and 10 from the Youth Program) from a total of 170 participants that received services between July 2005 and May 2006. We reviewed the 30 case files for documentation to confirm their eligibility for WIA services.

Results

SASSFA – Paramount did not maintain appropriate documentation to support the eligibility for two (7%) of the 30 participants that received program services. Specifically, SASSFA – Paramount did not maintain appropriate documentation in the participants' case files to support the participants' barrier to employment as required.

Subsequent to our review, SASSFA – Paramount provided additional documentation to support the eligibility of the two participants.

Recommendation

- 1. SASSFA - Paramount management ensure that participants' case files contain appropriate documentation to determine the participants' eligibility for program services prior to enrollment as required.**

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 30 (18%) participants (20 Adult and Dislocated Worker participants and 10 Youth participants) that received services during July 2005 through May 2006. We also interviewed a total of nine participants/guardians.

Results**Adult and Dislocated Worker Programs**

The seven participants interviewed confirmed that the services received met their expectations. However, the Agency did not complete Individual Employment Plans (IEP) for 18 (90%) of the 20 participants. The IEP is an on-going plan, jointly developed by the participant and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals.

SASSFA – Paramount also did not follow up with three (38%) of the eight participants that exited the program or accurately report the program activities on the Job Training Automation (JTA) system for 15 (75%) of the 20 participants as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Youth Program

The two participants/guardians interviewed confirmed that the services the participants received met their expectations. However, SASSFA – Paramount did not always comply with WIA guidelines. Specifically, SASSFA – Paramount did not:

- Complete the Individual Service Strategy (ISS) plan for one (10%) of the 10 participants or discuss the ISS plan with nine (90%) of the ten participants on a monthly basis. The ISS plan is used to track the needs and services of the program participants and their progress towards achieving established goals.
- Administer the post-assessment exam for one (10%) of the ten participants within one year of the pre-assessment exam.
- Maintain signed incentive policies in two (25%) of the eight participants' case files to support the incentives provided to the participants. Subsequent to our review, SASSFA – Paramount provided the signed incentive policies for the two participants to support the incentives provided.
- Report the program activities for one (10%) of the ten participants on the JTA system. The JTA system is used by the State of California Employment

Development Department and the Department of Labor to track WIA participant activities.

In addition, during our review of expenditures, we noted that SASSFA – Paramount did not report supportive services provided to two additional youth participants on the JTA system.

Recommendations

SASSFA - Paramount management:

- 2. Ensure that staff complete IEPs for all adult and dislocated worker participants.**
- 3. Ensure that staff accurately update the JTA system to reflect the participants' program activities.**
- 4. Ensure that staff adequately follow up with the exited participants as required.**
- 5. Ensure that staff complete the ISS plan and discuss the ISS plan with youth participants on a monthly basis.**
- 6. Ensure that the post-assessment exam is administered within one year of the pre-assessment.**
- 7. Ensure that a signed incentive policy is maintained in participants' case files to support expenditures.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed SASSFA – Paramount's bank reconciliation for April 2006.

Results

SASSFA - Paramount maintained adequate controls to ensure that cash receipts and revenues are properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 46 (18%) of the 258 non-personnel expenditures transactions billed by the Agency for January 2006, totaling \$10,566.

Results

SASSFA – Paramount maintained documentation to support non-personnel expenditures. In addition, the expenditures were appropriate and allowable.

Recommendation

There are no recommendations for this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, SASSFA – Paramount maintained sufficient internal controls over its business operations. However, SASSFA - Paramount was not in compliance with other County contract requirements. Specifically, SASSFA – Paramount did not:

- Provide documentation to support that a building inspection was performed.
- Perform a fair market assessment for their leased facility. WIA guidelines require a cost or price analysis be performed to determine the reasonableness of the lease payments.
- Submit invoices to DCSS within five working days of the following month as required. Specifically, the January 2006 invoice was submitted in April 2006 and the March 2006 invoice was submitted in May 2006.
- Maintain a procurement policy that complies with WIA guidelines. Specifically, SASSFA – Paramount’s procurement policy requires only two price quotes for purchases under \$5,000. WIA guidelines require that three price quotes be documented for purchases over \$1,000.

Recommendations**SASSFA - Paramount management:**

8. **Ensure that a building inspection is performed.**
9. **Ensure that a fair market assessment is performed on the leased property.**
10. **Ensure that invoices are submitted to DCSS within the timeframes established by the County contract.**
11. **Revise the Agency’s procurement policy to comply with regulatory guidelines.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Agency’s fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency’s equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 11 (6%) of the 177 items purchased with WIA funds.

Results

Generally, SASSFA - Paramount used the equipment purchased with WIA funding for the WIA program and the equipment purchased were safeguarded. However, SASSFA – Paramount's inventory list did not list one plasma television, valued at approximately \$2,000, or correctly identify the location of one (9%) of the 11 equipment items sampled. In addition, SASSFA – Paramount did not properly tag one (9%) of the 11 equipment items sampled with a County property tag as required.

Recommendations**SASSFA - Paramount management:**

- 12. Ensure that the inventory list is complete, accurate and updated with the required information.**
- 13. Ensure that all equipment purchased with WIA funds is properly tagged with County property tags.**

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures are appropriately charged to the WIA programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenditures for 19 employees, totaling approximately \$40,477, to the payroll records and time reports for January 2006. We also interviewed one staff and reviewed personnel files for five staff assigned to the WIA programs.

Results

SASSFA – Paramount billed DCSS based on estimated amounts for 14 (74%) of the 19 employees' payroll expenditures and not on actual hours worked as required. According SASSFA – Paramount management, payroll expenditures were billed based on a calculation using the prior quarter's actual payroll allocation data. However, SASSFA – Paramount did not adjust for actual hours worked in the subsequent month. According to Agency management, adjustments to actual hours worked are performed only at the end of the program year. During our next year's monitoring review, we will review Fiscal Year 2005-06 payroll expenditures to ensure that adjustments to actual hours worked were accurately made.

SASSFA – Paramount also did not maintain proof of auto insurance or copies of employees' driver's licenses in four (80%) of the five employees' personnel files sampled. Subsequent to our review, SASSFA – Paramount provided proof of auto insurance and driver's licenses for the four employees.

Recommendations**SASSFA - Paramount management:**

- 14. Adjust payroll expenditures for actual hours worked in the subsequent month or at minimum on a quarterly basis.**
- 15. Ensure that personnel files are kept current with the required documentation.**

COST ALLOCATION PLAN**Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and appropriately applied to program costs.

Verification

We reviewed SASSFA – Paramount's Cost Allocation Plan and a sample of expenditures incurred by the Agency from July 2005 thru May 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

As previously indicated SASSFA – Paramount's payroll expenditures were based on estimate and not actual costs.

Recommendation

Refer to recommendation 14.



10400 PIONEER BLVD., SUITE 9
SANTA FE SPRINGS, CA 90670
TEL: (562) 946-2237
FAX: (562) 946-5818

May 30, 2007

County of Los Angeles

Department of Auditor-Controller

Attn: J. Tyler McCauley

1000 S. Fremont Avenue, Suite #51

Alhambra, CA 91803

**SUBJECT: SOUTHEAST AREA SOCIAL SERVICES FUNDING AUTHORITY-
PARAMOUNT CONTRACT-WORKFORCE INVESTMENT ACT
PROGRAMS**

Dear Mr. McCauley,

We have received the final draft of your program, fiscal and administrative review of the Southeast Area Social Services Funding Authority (SASSFA). The Review was conducted on June 12, 2006 through June 15, 2006, and an exit conference was held on June 16, 2006. The Draft Report was issued on April 2, 2007 and a final exit conference was held on May 3, 2007.

The delay in receiving a Draft report of almost a year after the on-site review has made the task of responding somewhat difficult, especially in light of the fact that the majority of the findings in the draft report were never brought to our attention during the exit conference held on June 16, 2006. We also find the review to be somewhat problematic, in that, in many instances the issues found in files could have been addressed in June 2006, while Auditors were on site reviewing these files. The delay in bringing the review issues to our attention makes it more difficult to respond. Moreover, in some cases, since so much time has passed it has been difficult to pinpoint exactly what the Auditing staff is questioning. Determining whether documentation was present at the time of the initial on-site review, almost a year after the visit took place, has been very challenging, although in many instances we have been able to provide the documentation in question. The delay in receiving the findings of almost a year has also delayed our ability to have rectified any deficiencies during that time, but fortunately the findings have been relatively minor and have not impacted the quality or scope of our services.

We are committed to improving our services based on the review and its findings. Below is our specific response to each finding.

ELIGIBILITY

Recommendation

1. SASSFA-Paramount management to ensure that participant's case files contain appropriate documentation to determine the participant's eligibility for program services prior to enrollment.

Response

The review report makes the statement, "Subsequent to our review, SASSFA-Paramount provided additional documentation to support the eligibility of the two participants." In the cases where the eligibility of two Dislocated Workers was questioned, information was provided to the auditor's staff to resolve this issue. We should note that in one case we had the naturalization citizenship document noted in the case notes as having been reviewed by the case manager. The reason a copy of the document was not in the file was that it is our understanding that it is against the Law to make photo copies of such documents. We contend this documentation was available to the auditors at the time of the on-site review, but this is difficult to determine since the draft report was issued almost a year later from the on-site review. We consider this finding to have already been addressed.

BILLED SERVICES/CLIENT VERIFICATION

Recommendation

2. SASSFA-Paramount management ensure that staff complete the IEPs for all adult and dislocated worker participants.

Response

We agree to take corrective action by making the entries that may be necessary and appropriate for each IEP. Again, it is difficult to exactly pinpoint what corrections need to be made according to the auditors' findings, since so much time has passed between the on-site review and the receipt of the draft report with this finding. We have, however, directed our case managers to review their files, paying specific attention to those files in question, and they have reported finding the individual plans in compliance with County Directives. We also have directed our case managers to note specifically in their case notes how the contact specifically relates to the IEP. We will continue to monitor the IEPs for appropriate completion.

Recommendation

- 3. SASSFA-Paramount management ensure that staff accurately update the JTA system to reflect the participant's program activities.**

We are in agreement. The documentation for providing participants with small financial assistance such as bus tokens, food, gas cards, clothing, and similar items were proper WIA expenditures and, as such, were documented in the participants' files and fiscal records. The list of services by participants was not always entered into the County MIS system. This has, however, never been a finding in previous reviews. We have taken corrective action since the auditors brought it to our attention.

Recommendation

- 4. SASSFA-Paramount management ensure that staff adequately follow up with the exited participants as required.**

We agree with one of the findings. The follow ups for two cases were done a day or two after they were due. The follow-up for the third case was not done at the time of review and is now completed.

Recommendation

- 5. SASSFA-Paramount management ensure that staff complete the ISS plan and discuss the ISS plan with the youth participant on a monthly basis.**

We agree to take corrective action, although we believe that this finding relates to the need for case managers to be more specific when documenting their contacts with program participants. That is, we contact clients about their program activities continuously from the time they are enrolled in our programs. For example, if we have clients attending vocational schools, we contact them regarding their attendance and school grades on at least a monthly basis. However, the case manager might not specifically indicate in the case notes that the contacts were for the purpose of assessing their progress toward their Individual Service Plan goals. We have directed our case managers to complete their case notes in this fashion.

Recommendation

- 6. SASSFA-Paramount management to ensure that post-assessment exam is administered within one year of the pre-assessment.**

We agree with this finding, although it was a finding in only one client case. Part of the reality of dealing with youth, especially high-risk youth who are homeless or tend to relocate with no forwarding address, is that it is not always possible to have the youth come back in for their post-assessment exam despite our best efforts due to their personal circumstances. We will, however, make every effort to address this finding.

Recommendation

- 7. SASSFA-Paramount management to ensure that a signed incentive policy is maintained in the participant's case file to support the expenditure.**

The review report makes the statement, "Subsequent to our review, SASSFA-Paramount provided the signed incentive policies for the two participants to support the incentives provided." In the two cases where the signed incentive policies were in question information was provided to the auditor's staff to resolve this issue. We contend this documentation was available to the auditors at the time of the on-site review, but this is difficult to determine since the draft report was issued almost a year later from the on-site review. We consider this finding to have already been addressed.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

- 8. SASSFA-Paramount management to ensure that a building inspection is performed.**

We do have documentation from the County of Los Angeles Fire Department that a building inspection was performed on 5/31/05. The documentation provided by the Department is a chart which indicates no violations were observed. This documentation was available at the initial on-site review. The Department has indicated it does not issue certificates and would consider issuing a letter but would require some time to do so, and a formal request would need to be made.

- 9. SASSFA-Paramount management ensure that a fair market assessment is performed on leased property.**

SASSFA-Paramount staff made every effort to perform a fair market assessment and worked diligently with the assistance of the City of Paramount for approximately 3 months to locate a feasible service site. This proved, however, to be quite difficult. Additionally, time was a critical factor to open the service site. SASSFA Paramount management, therefore, signed a month-to-month lease in order to open a site within the time constraints. Under normal circumstances management would spend adequate time to perform a fair market assessment, but in the interest of time and a critical need to open a service site, the decision was made to locate the service at its current site. SASSFA Paramount management has been working with the City of Paramount to determine if the City could offer us a free or very low cost site. If this does not occur by the end of June 2007, management will be pursuing another site and will be completing a fair market assessment.

- 10. SASSFA-Paramount management to ensure that invoices are submitted to DCSS within the timeframes established by the County contract.**

We agree with this finding, and the agency did have some difficulty in the past submitting timely invoices. This issue, however, has been corrected and invoices are currently being submitted on time.

11. SASSFA-Paramount management to revise the Agency's procurement policy to comply with regulatory guidelines.

We agree with this finding and will be seeking SASSFA's Board of Director's approval to revise our procurement policy to reflect WIA guidelines. It should be noted that although the policy does not reflect WIA guidelines, the agency's practices are even more stringent than WIA guidelines as supported by our procurement paperwork.

FIXED ASSETS AND EQUIPMENT

12. SASSFA-Paramount management to ensure that the inventory list is complete, accurate, and updated with the required information.

One finding indicates that SASSFA Paramount's inventory list did not include a plasma television. We were unaware of this finding until we received the review report. This item was transferred from the SASSFGA-Paramount inventory list to the SASSFA-RWG inventory list, however, the transfer was not recorded on the Paramount inventory list, so it appeared as if we had not included the plasma television in our inventory lists at all. If the auditors had questioned this earlier we could have provided them with the inventory list that includes the plasma television. This list was provided to the auditor at the most recent exit interview to verify this.

The other finding indicates an incorrect location of one item. This is correct, however, if we had known of this finding we could have provided the auditors with the correct location at that time. The inventory list has been revised with the correct location of the item in question.

13. SASSFA-Paramount staff to ensure that all equipment purchased with WIA funds are properly tagged with County property tags.

We agree with this finding. One item of the sampled items did not have a County tag. This was due to the fact that although we had requested additional County tags, there was some difficulty in receiving them in a timely manner. This issue has now been corrected.

PAYROLL AND PERSONNEL

14. SASSFA-Paramount management adjust payroll expenses for actual hours worked in the subsequent month or at a minimum, on a quarterly basis.

Our cost allocation plan allows us to charge payroll costs for supervisors and managers using a formula that takes into account the number of participants in each WIA Program. Each fiscal year, quarterly, we prepare program participant reports and use the data to charge payroll. Normally we are using the previous quarter data to charge the current payroll. At the end of the fiscal year, we make a final adjustment, based on the ending actual number of participants served in each program. Our understanding of the recommendation is that the Auditing staff will review the final end of the year adjustments. We also agree that quarterly adjustments, as recommended, will be made for payroll charges.

15. SASSFA-Paramount management ensure that personnel files are kept current with the required documentation.

The review report makes the statement, "Subsequent to our review, SASSFA-Paramount provided proof of auto insurance and driver's licenses for the four employees." In the four cases where the auto insurance and driver's licenses for staff were questioned information was provided to the auditor's staff to resolve this issue. We contend this documentation was available to the auditors at the time of the on-site review, but this is difficult to determine since the draft report was issued almost a year later from the on-site review. We consider this finding to have already been addressed.

We appreciate the opportunity to respond to the SASSFA Paramount Fiscal Review prepared by your office, and appreciate the recent efforts of the auditing staff to supply supplementary information for us to more completely understand the review. We will use the information provided from the findings to move forward with the proposed corrective actions. It has been difficult, however, to address findings that were identified almost a year ago, to receive little or no indication of these findings or how to correct them for that time, and to ensure that the information we received can be adequately corrected for the current fiscal year. We hope this will be acknowledged during subsequent reviews. Every agency has room for improvement, but we do feel that, overall, your report points to the ongoing quality of SASSFA's services. Thank you for your time and effort in supporting the ongoing quality of those services.

Sincerely,



Kirk Kain

SASSFA Executive Director